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Arnold Schwarzenegger
Governor

**NOTICE OF OPPORTUNITY FOR PUBLIC COMMENT
PROPOSED STATE FISCAL YEAR (SFY) 2006/07
STATE REVOLVING FUND (SRF)
LOAN PROGRAM PRIORITY LIST (LIST)**

Wednesday, June 7, 2006
Joe Serna, Jr. Cal/EPA Building
Coastal Hearing Room – Second Floor
1001 I Street, Sacramento, CA

This announcement is to inform interested and affected parties that the State Water Resources Control Board (State Water Board) will consider adoption of the SFY 2006/07 List at its Board Meeting beginning at 10:00 a.m. on June 7, 2006. A project must appear on the List to be eligible to compete for loan assistance. SRF loan funds are available for construction of wastewater treatment and water reclamation facilities, correction of non-point source and storm drainage pollution problems, and implementation of estuary enhancement activities.

Further information on the procedures for obtaining an SRF loan can be found in the *Policy for Implementing the State Revolving Fund For Construction of Wastewater Treatment Facilities* and may be viewed on our website at <http://www.waterboards.ca.gov/funding/docs/srf/srfpolicyonly.pdf>. The *Strategy For Implementing State Revolving Funds for Expanded Use Projects* may be viewed on our website at <http://www.waterboards.ca.gov/funding/docs/srf/downloadedstrategy.pdf>.

The Division of Financial Assistance (Division) has developed the draft SFY 2006/07 List. The draft List may be viewed on our website at http://www.waterboards.ca.gov/docs/0607srf_priority_list_combined.pdf. The posted draft List reflects current recommendations from the Regional Water Quality Control Boards (Water Boards) and State Water Board Staff. If you want a paper copy of the draft List, please contact Mr. Robert Pontureri at (916) 341-5828 or rpontureri@waterboards.ca.gov.

The List contains those projects for which applicants plan to request funding within the next five years. The first year is known as the fundable year. The fundable year of the List contains those projects that have received a preliminary loan commitment and are scheduled for loan assistance during the first year of the five-year planning period. Projects in the fundable year may receive a loan agreement after receiving all necessary approvals. Although a project may be identified on the fundable portion of the List, this does not guarantee a loan contract. Projects that fail to meet established milestones may be bypassed in favor of projects ranked lower on the List that are ready to proceed to construction. Projects that become ready for construction, but are not on the fundable portion of the List (the remaining four years), are moved to the fundable portion after a preliminary loan commitment is issued.



KEY ISSUES AND RECOMMENDATIONS FOR 2006/07 LIST

ISSUE 1: Should the State Water Board adopt the SFY 2006/07 List?

RECOMMENDATION: Division staff solicited input from all nine Water Boards and State Water Board staff. The Division also provided interested parties with the opportunity to review the draft List and notify the Division staff of any corrections, omissions, and additions between April 26, 2006 and May 12, 2006. Staff have incorporated all information received on the draft List and recommend that the State Water Board adopt the SFY 2006/07 List.

ISSUE 2: Should the State Water Board continue to make the funds in the SRF account available to projects in Priority Classes A through D and Needs Categories I through X as listed on the draft List?

RECOMMENDATION: The State Water Board estimates that approximately \$154 million will be available for new SRF loan commitments in 2006/2007 based on current cash flow. The State Water Board authorized in September 2005 the sale of up to an additional \$300 million in revenue bonds. Staff is closely monitoring the cash flow needs of upcoming projects to determine the best time to sell additional bonds to meet the needs of applicants and the program. The Division recommends that the State Water Board make the funds in the SRF account available to all projects in Priority Classes A through D and Needs Categories I through X as listed on the draft List.

ISSUE 3: Should the State Water Board adopt with the SFY 2006/07 List a cap on the amount of loan funds that can be disbursed per year to an agency receiving SRF loan funds? Should the State Water Board authorize the Division Chief to accelerate project funding disbursements and exceed a loan recipient's funding cap in a particular year as long as the loan recipient ultimately receives the same funding amount if it had remained under the cap?

RECOMMENDATION: The State Water Board established a funding cap of \$25 million per fiscal year per loan recipient in Resolution No. 99-040 on May 20, 1999. The \$25 million cap has been in effect since May 20, 1999, and was reaffirmed by the State Water Board on September 22, 2005 in Resolution No. 05-064. Resolution No. 05-064 also authorized the Chief of the Division to accelerate project disbursements and exceed a loan recipient's funding cap in a particular year as long as the loan recipient ultimately receives the same funding amount if it had remained under the cap.

The Division recommends that the State Water Board maintain the cap at the current level of \$25 million and reaffirm the Division Chief's discretion to accelerate project disbursements. The \$25 million cap is generally sufficient to fund most projects while also helping the State Water Board ensure that available funds are distributed equitably. Moreover the ability to accelerate project disbursements provides additional management flexibility to provide additional cash flow for select projects.



TO TESTIFY

You may submit written comments and give oral statements to the State Water Board regarding the proposed SFY 2006/07 List. Written comments should be submitted as early as possible to allow for thorough staff analysis. **All comments are due by 5:00 p.m. on May 30, 2006**, and should be directed to:

Ms. Song Her, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814
FAX: (916) 341-5620
Email: sher@waterboards.ca.gov

PARKING AND ACCESSIBILITY

All visitors are required to sign in and receive a badge prior to attending any meeting in the building. The Visitor and Environmental Services Center is located just inside and to the left of the Cal/EPA Building's public entrance. Valid picture identification may be required due to the security level. Please allow up to 15 minutes for this process.

Public parking is available in the City of Sacramento Garage on I Street between 10th and 11th Streets. Metered spaces are available on area streets. The Cal/EPA building is accessible by bus and light rail lines operated by Sacramento Regional Transit. The Coastal Hearing Room is accessible to persons with disabilities.

FOLLOW-UP SCHEDULE

1. This issue will be considered for State Water Board adoption at the June 7, 2006, State Water Board Meeting.
2. Submittal to United States Environmental Protection Agency for approval of the SFY 2006/07 SRF Loan Program Priority List, December 1, 2006.

CONTACT PERSON

Any questions regarding this issue should be directed to Mr. Pontureri at (916) 341-5828 or rpontureri@waterboards.ca.gov. Individuals who require special accommodations are requested to contact Mr. Adrian Perez at (916) 341-5880 or APerez@waterboards.ca.gov at least five working days prior to the meeting date. TTY users may contact the California Relay Service at (800) 735-2929 or voice line at (800) 735-2922.

May 10, 2006

Date



Song Her
Clerk to the Board

